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## **Independent Auditor's Report**

The Inspector General,  
Library of Congress

We have audited the accompanying consolidated statement of financial position of the Library of Congress (Library) as of September 30, 1997 and the related consolidated statement of operations and changes in net position for the year then ended. We also have examined management's assertion, included in the accompanying management's report on internal controls over financial reporting, regarding the effectiveness of the Library's internal controls over financial reporting, safeguarding of assets and compliance with applicable laws and regulations that were in place as of September 30, 1997.

In our opinion:

- The Library's consolidated financial statements are presented fairly, in all material respects, in conformity with the comprehensive basis of accounting described in Note 1 to the consolidated financial statements, and
- Management fairly stated its assertion that it cannot provide reasonable assurance that internal controls in place at September 30, 1997 met two objectives, (that assets are safeguarded against loss from unauthorized acquisition, use, or disposition and that transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability for assets), but that internal controls were effective in assuring material compliance with applicable laws and regulations.

We noted:

- Reportable conditions related to:
  - weaknesses in the internal controls related to accounting for property and equipment;
  - weaknesses in the controls over information technology systems;
  - weaknesses in the controls over the financial reporting process;
  - the lack of a business continuity plan;
  - the implementation of a Year 2000 compliant accounting system upgrade and other operational subsystems;
  - the limitations on the Library's Inspector General (IG) oversight function.

- Noncompliance with laws and regulations related to:
  - use of certain revolving gift funds that exceeded the Library's scope of authority to accept gifts and use them to fulfill the donor's intent;

Our conclusions and the scope of our work are discussed in more detail below.

## **OPINION ON CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying consolidated statement of financial position of the Library of Congress as of September 30, 1997, and the related consolidated statement of operations and changes in net position for the year then ended. These consolidated financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Library of Congress as of September 30, 1997, and the results of its operations for the year then ended, in conformity with the comprehensive basis of accounting described in Note 1 to the consolidated financial statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual funds. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

## **OPINION ON MANAGEMENT'S ASSERTION ON THE INTERNAL CONTROL STRUCTURE OVER FINANCIAL REPORTING**

We have examined management's assertion, included in the accompanying management report on internal controls over financial reporting (see Section 5), regarding internal controls designed by management to provide reasonable, but not absolute, assurance that following objectives are met:

- assets are safeguarded against loss from unauthorized acquisition, use, or disposition;
- transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements;
- transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and maintain accountability for assets.

Management stated that because of the weaknesses described in its report, it cannot provide reasonable assurance that internal controls in place at September 30, 1997, met two objectives (that assets are safeguarded against loss from unauthorized acquisition, use, or disposition and that transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability for assets), but that internal controls were effective in assuring material compliance with applicable laws and regulations.

Management made this assertion based upon criteria established under internal control standards and financial systems standards presented in Appendices II and III of Title 2 of the General Accounting Office's *Policy and Procedures Manual for Guidance of Federal Agencies*.

In our opinion management's assertion that because of the weaknesses described in its report, it cannot provide reasonable assurance that internal controls in place at September 30, 1997, met two objectives (that assets are safeguarded against loss from unauthorized acquisition, use, or disposition and that transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability for assets), but that internal controls were effective in assuring material compliance with applicable laws and regulations, is fairly stated in all material respects, based upon criteria established under the internal control standards and financial systems standards presented in Appendices 2 and 3 of Title 2 of the General Accounting Office's *Policy and Procedures Manual for Guidance of Federal Agencies*. We do not express an opinion or any other form of assurance on management's cost benefit statement.

As discussed in management's assertion, the following weaknesses exist in the design or operation of the internal control of the Library in effect at September 30, 1997.

- ***Library records for property and equipment are not complete and accurate and safeguarding controls related to equipment monitored by the National Library Service for the Blind and Handicapped require improvement.*** The subsidiary property and equipment records contain errors in cost, acquisition dates, disposals, and completeness. Other weaknesses include inadequate supporting documentation for some assets, inconsistent capitalization policies for leasehold improvements, and improper estimations of depreciable lives of certain property and equipment.
- ***Security practices and certain other controls over information systems are inadequate.*** Logical access controls do not sufficiently restrict access. Security awareness seminars lack a training component. Segregation of duties is not adequately addressed in all areas, and software development and change controls need improvement.

- ***Weaknesses exist in the controls over the financial reporting process.*** The Library completed many of the tasks designed to meet financial reporting objectives in 1997. However, some important tasks were not fully performed or fully completed, including (1) performing satisfactorily all major subsystem reconciliations at September 30, 1997, (2) fully implementing the self-assessment and review of internal controls and accounting systems including incorporating the results of the financial systems' reviews to be completed by the Inspector General's office every five years, (3) reviewing all accounts for reasonableness on a timely basis, (4) reviewing and reconciling property accounts, and (5) identifying and applying all relevant accounting policies and principles.
- ***The Library lacks a business continuity plan.*** The Library has not implemented a continuity plan that addresses disaster recovery.
- ***Year 2000 compliant software.*** The Library has not upgraded its general ledger package and some supporting subsystems to the latest software releases to implement necessary changes for the year 2000 nor has it formally documented key policies and procedures for managing the implementing Year 2000 compliant software in daily operations.
- ***The Library's IG oversight function is limited.*** Current limitations on the IG's office reduce the effectiveness of its oversight function. These include limitations on management studies and inspections of Library operations, and a dependency on the Librarian for funding resources. This condition impacts the Library's control environment as currently designed and its ability to have segregation of duties over testing and monitoring of internal controls and compliance with applicable laws and regulations.

We consider the weaknesses, described above, to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the consolidated financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated March 27, 1998.

Appendix A further discusses the reportable conditions. These matters were also identified in the Library's 1996 audit report. Appendix C presents the current status of all prior year findings.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

As part of obtaining reasonable assurance about whether the Library's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*, as issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements*.

***The Library operates gift revolving funds beyond the scope of its authority.*** In a 1991 report, GAO found that the Library's use of certain revolving gift funds exceeded its scope of authority under 2 U.S.C. 160 to accept gifts and use them to fulfill the donor's intent. Section 160 does not authorize the Library, without specific statutory authority, to set charges for goods and services provided through self-sustaining gift funds that (1) enlarge the funds beyond the scope of the donor's gift, (2) produce revenues for other activities, or (3) create a substantial surplus. During our 1997 audit work, we identified eleven revolving funds, none with specific congressional authorization, and ten with fund balances in excess of the original gift. One fund had revenues of approximately \$5.8 million.

This matter is discussed further in Appendix B.

## **RESPONSIBILITIES**

**Management's Responsibility.** Management is responsible for:

- preparing the consolidated financial statements in conformity with the comprehensive basis of accounting described in Note 1 to the consolidated financial statements;
- establishing and maintaining an effective internal control structure designed to fulfill control objectives;
- complying with applicable laws and regulations.

In fulfilling these responsibilities, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized acquisition, use, or disposition;

- transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements;
- transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and maintain accountability for assets.

**Auditor's Responsibility.** Our responsibility is to express an opinion on the consolidated financial statements based on our audit. Accordingly, we planned and performed the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are presented in accordance with the comprehensive basis of accounting as described in Note 1 to the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We are also responsible for expressing an opinion, based on our examination, on management's assertion that it cannot provide reasonable assurance that internal controls in place as of September 30, 1997 met two objectives, (that assets are safeguarded against loss from unauthorized acquisition, use, or disposition and that transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and maintain accountability for assets), but that internal controls were effective in assuring material compliance with applicable laws and regulations, based on criteria established under the internal control standards and financial systems standards presented in Appendices 2 and 3 of Title 2 of the GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*.

We are also responsible for testing compliance with selected provisions of applicable laws and regulations that may materially affect the consolidated financial statements.

In order to fulfill these responsibilities, we

- examined on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation;
- assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements;
- obtained an understanding of the internal control structure over financial reporting, safeguarding of assets and compliance with applicable laws and regulations;
- obtained an understanding of the internal controls related to performance measures reported in the Overview of the Library's Annual Financial Report;

- assessed the design of performance measure controls and whether they had been placed in operation;
- tested and evaluated the design and operating effectiveness of relevant internal controls over significant cycles, classes of transactions, and account balances;
- tested compliance with selected provisions of the following laws and regulations that may materially affect the consolidated financial statements:
  - Library's authorizing legislation;
  - Copyright law;
  - Antideficiency Act;
  - Legislative Branch Appropriations Act;
  - Economy Act;
  - Fair Labor Standards Act;
  - Civil Service Retirement Act;
  - Civil Service Reform Act;
  - Federal Employees' Compensation Act;
  - Federal Employees' Health Benefits Act of 1959;
  - Federal Employees' Group Life Insurance Act of 1980;
  - Legislation concerning recording obligations and balances available for obligation;
  - Advertising Act; and
- performed other procedures as we considered necessary in the circumstances.

We did not evaluate the internal controls relevant to operating objectives, but limited our work to accounting and other controls necessary to achieve the objectives identified in our opinion on management's assertion on the internal control structure over financial reporting. Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting, safeguarding of assets and compliance with applicable laws and regulations to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our audit was conducted in accordance with generally accepted auditing standards; *Government Auditing Standards*, as issued by the Comptroller General of the United States; and OMB Bulletin 93-06, *Audit Requirements for Federal Financial Statements*. Our examination of management's assertion on internal controls over financial reporting, included in the accompanying management report on internal controls, that it cannot provide reasonable assurance that internal controls in place as of September 30, 1997, met two objectives (that assets are safeguarded against loss from unauthorized acquisition, use, or disposition and that transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and maintain accountability for assets), but that internal controls were effective in assuring material compliance with laws and regulations as of September 30, 1997 was conducted in accordance with standards

established by the American Institute of Certified Public Accountants and *Government Auditing Standards* as issued by the Comptroller General of the United States; and OMB Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements*. We believe that our audit and examination provide a reasonable basis for our opinions.

**Consistency of Other Information.** The Overview of the Library of Congress and the Stewardship Report in Sections 1 and 4, respectively, in the Library's Annual Financial Report contain a wide range of data, some of which are not directly related to the consolidated financial statements. Professional standards require the auditor to read this information and consider whether such information, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, appearing in the consolidated financial statements. If based on such reading the auditor concludes that there is a material inconsistency, the auditor should determine whether the consolidated financial statements, the report, or both require revision.

The information presented in the Overview of the Library of Congress and the Stewardship Report has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.

**Distribution.** This report is intended for the information and use of the Library's Office of the Inspector General, management of the Library, others within the organization, and Congress. However, this report is a matter of public record and its distribution is not limited.

*Clifton Gunderson L.L.C.*

Greenbelt, Maryland  
March 27, 1998



## APPENDIX A REPORTABLE CONDITIONS

1. **LIBRARY RECORDS FOR CAPITALIZED PROPERTY AND EQUIPMENT ARE NOT ACCURATE OR COMPLETE AND SAFEGUARDING CONTROLS FOR NATIONAL LIBRARY SERVICE FOR THE BLIND AND PHYSICALLY HANDICAPPED ARE NOT ADEQUATE.**

*Current internal controls at the Library are inadequate to ensure that the recording of property and equipment is accurate and complete.*

The Library's current accounting practice is to expense all amounts disbursed for property and equipment during the fiscal year. Management determines the Contract and Logistics (C&L) property balance and the related accumulated depreciation based on amounts in the IBCFACS ledger. Financial Services Directive 96-7, *Guidelines for Accounting for Capitalized Property and Depreciation* provides for quarterly property reconciliations but none were not performed during fiscal 1997. The reversal of amounts expended during the year to reflect the total capitalization amount and net change in accumulated depreciation was not done until year end. As a result, the Library cannot ensure that acquisitions, disposals and donations of property and equipment are properly accounted for in its property and equipment systems and that items are not misappropriated or misplaced. In our work related to capitalized non-bulk property and equipment we noted the following matters:

- Leasehold Improvements have not been recognized as capital assets in the current or prior years. This is not in accordance with FSD 96-7, *Guidelines for Financial System Reconciliations*, and Statement of Federal Financial Accounting Standard No. 6, *Accounting for Property, Plant, and Equipment*, which both require the capitalization of leasehold improvements. The Library was able to quantify such improvements as of September 30, 1997 and adjustments were made to the financial statements to reflect corrected amounts.
- Two computer component purchases totaling \$416,131 were not capitalized because the purchase orders did not clearly establish the items. These items were not recorded in the IBCFACS data base because of a lack of communication between the receiving department and C&L.
- Certain instances were identified where estimated cost per the purchase order, rather than actual invoices were used as the cost basis of the assets in the IBCFACS ledger because a reconciliation was not performed between the purchase order and the invoices.
- The exchange of assets were improperly recorded. The net book value of the old asset traded-in was charged to a loss on disposal of equipment, when it should have been charged to the acquisition cost of the new asset.

- The Library's policy on depreciable life is not based on an established method of depreciation that represents the true depreciable lives of the Library's assets. The Library's policy on depreciable life of equipment and furniture ranges from 4 to 20 years, and is questionable because capital leases for many items are not more than 5 years. Additionally, the Library does not have an integrated fixed asset system which would both track the cost of capitalized fixed assets and calculate related depreciation.

***Safeguarding Controls for National Library Services for the Blind and Physically Handicapped are not adequate.***

The National Library Service for the Blind and Physically Handicapped (NLS/BPH) maintains the playback machines that are used in the program which distributes reading materials and playback machines to eligible borrowers. NLS/BPH does not maintain a single centralized listing of all NLS/BPH playback machines. NLS/BPH makes equipment shipments to lending agencies periodically throughout the year, after which the agencies have the responsibility for tracking the machines, rather than NLS/BPH having tracking authority. Two separate databases track the playback machines for different purposes and capture different data as well. Each system contains machine models not included in the other system. NLS/BPH uses a database called Blind and Physically Handicapped Inventory Control System (BPHICS) to track machines as they are acquired. BPHICS is maintained by an independent contractor who receives data from the Machine Lending agencies that retain custody of the machines until they are lent to patrons. The independent contractor maintains another system, which creates a monthly machine report (MMR) used to track the playback machine inventory status of the machine lending agencies. The MMR's classify machines as either "on hand, lent to patrons, in repair, or location unknown." We noted the following issues while performing our audit:

- NLS/BPH has not established an acceptable range of "location unknown" machines or require the independent contractor to explain variances in reporting for various categories of playback machines. The MMR systems do not compare totals for each machine model reported by each lending agency. The independent contractor updates the MMR system without comparing reported totals to established acceptable range. NLS does not have a policy or procedure in place to review and monitor, on a regular basis, the input from the machine lending agencies or the output from the independent contractor.
- The lack of a unified inventory of playback machines and policies and procedures for monitoring the independent contractor and the machine lending agencies increases the risk of loss and misappropriation of machines. This in turn increases the risk of inaccurate inventory reporting for financial statement purposes.

### ***Recommendations:***

The accuracy and maintenance of the Library's asset listing is critical for reliable financial reporting and maintaining accountability for property and equipment of which the majority is comprised of the playback machines accounted for by NLS/BPH. In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:

- Contracts and Logistics perform quarterly property reconciliations as required by FSD 96-7 in order to allow C&L to post the capitalized property sub-ledger to the general ledger. It is noted that FSD 97-7 has superseded FSD 96-7 but the quarterly reporting requirement has not changed.
- C&L strengthen its policies and procedures for reviewing information entered into the IBCFACS subledger, including the review of data by a non data entry employee.
- Develop a formal policy or procedure to be put in place that enables the posting employee at C&L to contact the technical representatives from the service unit should a question arise about the capitalization or expense of items purchased. Also that training be provided to those individuals that post these transactions so that they may better identify what should be capitalized or expenses.
- C&L establish procedures for following up on invoices of assets that have not been received for a considerable period of time, to ensure that all costs related to the assets have been recorded on the subsidiary ledger properly.
- The Library appoint a staff person at the directorate level to be held accountable for the implementing of Section 3.31 of FSD 96-7 so that all acquisitions, dispositions, and transfers of property are managed at the local level.
- All assets acquired through the use of a trade-in be reviewed and approved by a qualified personnel within C&L.
- NLS/BPH consider merging the reporting performed by the two separate playback machine tracking systems and begin to capture all data within the BPHICS system. NLS would need to ensure that BPHICS and MME contain data from the same time period since MMR has more historical information. The BPHICS system would need to be modified to capture the collective status by machine lending agency of all machines within their custody, as well as, acquisition information by serial number.
- NLS/BPH establish an acceptable range for the independent contractor to compare totals for each machine model reported by each lending agency. If a MMR is submitted outside of that range there should be a formal policy or procedure established to ensure that these discrepancies are investigated and resolved.

- NLS/BPH implement policies and procedures to monitor both the input from the lending agencies and the output from the independent contractor on a regular basis, and document a plan for performing machine lending agency audits. These audits should be scheduled on a five year basis due to the fact that these machines comprise over 70% of the Library's property and equipment.
- The Library re-evaluate its useful life policies for the capitalization of property and equipment and that they correct all existing assets retroactively.
- The Library adhere to FSD - 96-7 and SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, in recording leasehold improvements to multi-use Heritage assets and non Heritage assets. The Library should monitor current developments in accounting for property, plant and equipment as issued by the FASAB throughout the year.

## 2. SECURITY PRACTICES OVER INFORMATION TECHNOLOGY SYSTEMS NEED TO BE IMPROVED

The Library lacks certain controls within logical access and system security. The controls that are currently in place are inadequate to fully protect information systems' resources from unauthorized access, unauthorized use, or damage. The Library has failed to implement security policies and procedures to ensure that Library resources are restricted to authorized individuals and that critical data is protected. The presence of these weaknesses increase the risk that the Library's data and equipment are not properly safeguarded.

### *Logical access controls do not sufficiently restrict access.*

Current logical access controls are inadequate to ensure the safekeeping of sensitive utilities and data sets. A number of logical access controls settings were not in place. The following are configurations that should be modified:

- The "notify" setting within the ACF2 security configuration is not active.
- Super ZAP utility is not restricted.
- Too many systems programmers have access to sensitive LINKLIB.
- All systems engineers can update and allocate access to CICS\* Data-sets.
- Un-logged write and allocate access to FFS Data-sets are excessive.

Without these modifications the system is vulnerable to unnoticed and/or un-logged activities which could impact accurate financial reporting. The current security configuration leaves open the possibility of unauthorized access to certain sensitive utilities and data-sets without being detected. This also decreases management's ability to notice trends in unauthorized or anomalous activities within these sensitive areas.

Currently, the Library does not formally document its dial-in access authorization. With the absence of formal documentation for dial-up access authorizations, dial-in authentication, and periodic number changes the Library has a much weaker control environment due to the fact that

users with dial-up capability can by-pass normal system safeguards. This increases the risk of unauthorized access through a remote login process.

***Security awareness seminars lack a training component.***

The Library conducts quarterly computer security awareness seminars, but it lacks a training component. Policies and procedures are not in place for an ongoing computer security awareness and training program to ensure computer security awareness throughout the Library. It was also noted that employees and contractors were not required to sign a confidentiality agreement and/or non-disclosure form when needed. Without an on-going computer security awareness program employees might become desensitized to their computer security responsibilities.

***Segregation of duties is not adequately addressed.***

The ITS does not maintain a formal policies or procedures manual to address segregation of duties. We noted the following cases where a lack of segregation existed:

- Back up assignments sometimes result in the performance of incompatible functions where the Director of ITS is also in charge of Resources Management, and Systems Engineering.
- The UNIX platform Systems Engineering Group also performs the Security function within the group.
- There is not a separate group, independent of programmers and users, which is responsible for moving programs and data libraries on the UNIX platform.

With an inadequately segregated staff there is an increase in the risk that erroneous and/or fraudulent transactions could be processed, and that improper program changes could be implemented. It also provides for the possibility that computer resources could be damaged or destroyed.

***Application software, system software and change controls are inadequate.***

Policies or procedures do not exist within ITS to restrict the use of personal and public domain software. The Library lacks an entity wide policy on the use of such software, thus increasing the risk for infecting the system with unknown viruses as well as copyright violations. The use of non-approved software also contributes to a reduction of system resources. This may cause system failure and decrease the effectiveness of ITS if problems arise in relation to the software.

Within the MVS and UNIX platforms, there are no written standards to control programs as they progress through testing to final approval. The extent to which the program is tested is dependent on the program leader and other technical staff. Without proper controls over the progression through testing to final approval there is a risk that ITS may provide an inconsistent amount of testing. The lack of these procedures may result in inefficient or inadequate testing or introducing production programs that do not meet management's criteria.

There are no written policies or procedures for restricting access to system software on the MVS and UNIX platforms. The use and monitoring of system software also lacks a formal plan of policies and procedures. ITS relies heavily on the informal control activities in place for these sensitive functions. Without these formal guidelines it may be unclear what management's criteria is for restricting access to system software.

ITS does not maintain written policies or procedures on how an emergency change is to be controlled. Currently management utilizes a software which helps establish accountability for changes by reporting them after the fact for review and approval. Emergency changes often require broader authority for information technology staff than is normally required to perform their ongoing responsibilities. The use of the broader authority may cause changes that management has not authorized.

ITS does not maintain written policies or procedures on how an emergency change to system software is to be controlled. Currently, there is a reliance placed upon the skills of the present staff to use their experience and expertise to determine the ways to deal with emergencies. Over time, this leads to risks of key personnel dependency in the absence of formally documented procedures. Documentation of the emergency change may be inadequate as well as the reporting to management for analysis.

Currently, the Library does not have any documentation regarding its policies and procedures related to the management of the software utilized throughout the Library. Without established procedures, there is a risk that sensitive libraries may have software entered into them which does not meet management's criteria. There may not be an adequate audit trail of changes to establish accountability and to maintain previous software versions, if there is a need to retain the previous version.

A written System Development Life Cycle Methodology (SDLC) for ITS has not been implemented for the development groups. Currently, the Library follows informal practices which have evolved through experience. In addition, employees have not been formally trained in the use of SDLC. Without an SDLC, there are risks that projects may produce inconsistent quality of results, lack of user benefits, excessive development costs, inadequate documentation, and missed milestones. The quality of projects developed without a SDLC may vary greatly depending upon the experiences of the individual project leaders.

### ***Recommendations:***

We recommend that:

- the Library develop and implement policies and procedures that set standards by which certain sensitive utilities and data-sets will be protected and that security configurations are set to meet those policies and procedures.
- the Library develop and implement policies and procedures addressing remote access. Additionally, remote access authorization should be documented, dial-in authentication should be added, and dial-up telephone numbers should be changed periodically.

- the Library implement a comprehensive computer security awareness program that allows for periodic data security education and user declaration of their responsibilities with relation to data security.
- the Library coordinate with the Internal University which is primarily responsible for conducting Security Awareness and Training with ITS who has the expertise, and document what roles each department will serve and what resources are needed to meet the Library's guidelines and the Computer Security Act of 1987. Once this issue is resolved the responsible party should develop a training program that performs a comprehensive entity wide security training that meets the criteria of the Act and the mission of the Library.
- the Library redistribute responsibilities and adhere to the principles of segregation of duties. Management should reallocate responsibilities within ITS to remove this condition, while at the same time making efforts to acquire the staff needed to fill the number of vacant positions.
- management initiate the development of policies and procedures as a part of an ITS-wide initiative to provide guidance, standards and efficiency for new staff in the performance of their functions and responsibilities.
- the Library develop policies, procedures, and standards regarding the use of software. These policies should restrict the use of public domain and personal software and encompass all of the computer resources and employees at the Library to minimize the risks related to this issue.
- the Library and ITS management develop policies and procedures to control programs as they progress through testing to final approval. The policies and procedures should include the test plan standards, preparation and approval of system specifications, documentation of software changes, documentation and approval of test plans, review, documentation, and approval of test results, and criteria for moving changed programs into production.
- the Library and ITS management develop policies and procedures to control emergency changes on the MVS and UNIX platforms. The procedures should include after the fact approval from operations, programming, and user management.
- the Library and ITS management develop policies and procedures which provide for the use of library management software to label and inventory programs on the MVS and UNIX platforms.
- the Library and ITS management develop a written System Development Life Cycle methodology.
- the Library and ITS management develop policies and procedures for controlling emergency systems software changes.

- the Library and ITS management develop policies and procedures for restricting access to systems software. These policies should be clearly communicated to the appropriate resources.
- the Library and ITS management develop policies and procedures for controlling and testing changes to system software.

### **3. WEAKNESSES EXIST IN CONTROLS OVER THE FINANCIAL REPORTING PROCESS**

The Library completed many of the tasks designed to meet financial reporting objectives cited in the prior year during 1997 such as:

- Revising the policy regarding limited control reviews to stagger the reviews throughout the year rather than year end;
- Conducting certain training as to the performance of limited control reviews;
- Tailoring the limited control reviews by area;
- Performing certain reconciliation of major accounts on a timely basis.

However, some important tasks were not completed or fully implemented as follows:

- The Library did not perform limited control reviews for the fiscal year 1997. During 1997, the Library implemented a new internal control limited control review process as recommended by the prior independent auditors. The new process staggers the completion of internal control limited reviews throughout the year (in contrast to all reviews completed at the same time) and provides training and questionnaires that are tailored to the specific needs of financial managers. As indicated, no actual reviews took place for 1997. Also, the Inspector General has not performed detailed financial management system evaluations to identify weaknesses and develop corrective action plans.
- Certain accounts were not reviewed or reconciled on a timely basis. Some key areas where enhanced reconciliation procedures are necessary are FEDLINK, property and equipment and net position related accounts. Financial Statement Directive (FSD) 96-8 requires regular reconciliation of subledger accounts and balances in a timely manner.



***Recommendations:***

We recommend the following:

- the Library fully implement procedures for performance of limited control reviews as currently documented as soon as possible. This is a critical procedure in the design of the control environment of the Library that assists management in evaluating whether internal controls are designed to work efficiently and effectively to accomplish control objectives.
- Financial Services continue to work on fully implementing timely reconciliations of all accounts, review for reasonableness and work with and train financial managers in other areas on the need for timely reconciliations to promote accurate financial reporting and provide for adequate internal controls.

**4. THE LIBRARY LACKS A BUSINESS CONTINUITY PLAN**

The Library does not have a current business continuity plan. There are no policies and procedures in place to identify and prioritize critical data and/or operations in the event a recovery or interruption occurs. The Library does not have a formalized disaster recovery plan. Without a plan detailing all aspects of the procedures utilized during and after a disaster the Library places itself at risk of extensive down time. Currently, the Library does not have an alternative data processing facility, neither a hot or cold processing site. It is also noted that the staff within the Data Center has not had any formal training on emergency procedures and that there are no hand-held fire extinguishers installed within the Data Center.

The Library may lose the capability to process, retrieve, and protect information maintained electronically. This could have a significant impact on their ability to accomplish their mission.

***Recommendations:***

- We recommend that various departments within the Library develop contingency plans, test them annually, and establish the administrative and operational procedures for supporting them. These plans should set forth the procedures and facilities to be used when data center failures, natural disasters, or major equipment malfunctions occur sufficient to disrupt the normal use of the Library's PC's, LANs, servers, routers, printers, and other equipment. The recognition of critical data, operations, resources, and emergency procedures is a key process which should involve management and staff.
- We also recommend that the Library develop a formal Disaster Recovery Plan. This plan should outline the steps to be taken in the event of a disaster and identify who should be contacted. When completing this plan management should identify a location for which processing will resume in the event of a disaster.

## **5. YEAR 2000 COMPLIANT SOFTWARE FOR FINANCIAL SYSTEMS HAVE NOT BEEN IMPLEMENTED**

The Library has not upgraded its general ledger package and some supporting subsystems to the latest software releases to implement necessary changes for the year 2000. Additionally, the Library has not developed formal written policies and procedures for managing the Year 2000 project. The Library also lacks a system of tracking costs related to the Year 2000 issue.

### ***Recommendation:***

We recommend the following:

- the Library continue evaluating each of its financial systems and subsystems so that key systems that must be Year 2000 compliant can be identified and updated as soon as possible. The addition of a new account coding system would help track costs related to Y2K projects and offer some information on projected budget overruns and expenses vs. capitalized costs related to Year 2000. We understand that the general ledger will be updated during fiscal year 1998.
- the Library formally document policies and procedures for system development and program management to assist them in their Year 2000 efforts.

## **6. THE LIBRARY'S INSPECTOR GENERAL (IG) OVERSIGHT FUNCTION IS LIMITED**

The independence of the IG office and their role in the Library's overall internal control environment appears to be limited based upon the fact that management (Librarian or Deputy) must approve, and in some cases determine, the work to be performed by the office. Additionally, the Inspector General's office is limited due to the lack of legislative and budgetary authority.

We also reviewed the role of the Library's IG office and the internal audit function that it serves during our evaluation of the internal control environment of the Library. We considered the Library's overall process of establishing, evaluating, testing and reporting on internal control policies and procedures within the organization. We noted that one individual responsible for establishing accounting and internal control procedures within the organization and recording transactions in accordance with such procedures also has the responsibility of testing the effectiveness of the procedures and producing a report for the Librarian in this regard. During this testing and reporting phase, the IG office has minimal involvement.

We have noted that the Librarian fully supports the concept of an independent IG's office with statutory authority. In April of 1997, the Library initiated draft legislation for a statutory Inspector General's Office, modeled after the Government Printing Office. This draft legislation would provide a separate appropriation to the IG and require the IG to report semi-annually to Congress. It is noted that Congress has not enacted this legislation as of mid March 1998.

***Recommendation:***

We recommend the following:

- the Library re-evaluate its internal control and accounting environment and design an environment that provides for adequate segregation of duties in the areas of establishing, evaluating, testing and reporting on internal control and accounting policies and procedures within the organization.
- the Librarian of Congress should consider actions to follow-up and resubmit draft legislation to establish statutory authority for the Office of Inspector General at the Library of Congress.

**APPENDIX B**  
**MATTERS OF NONCOMPLIANCE WITH LAWS AND REGULATIONS**

**1. THE LIBRARY OPERATES GIFT REVOLVING FUNDS BEYOND THE SCOPE OF ITS AUTHORITY**

GAO found that the Library continued to use certain revolving gift funds in a manner which exceeded its statutory authority under 2 U.S.C. 160 to accept "gifts or bequests of money for immediate disbursements in the interest of the Library, its collections, or its services" (*Library of Congress Revolving Trust Funds*, FGMS-80-76, September 24, 1980; *Financial Audit: First Audit of the Library of Congress Discloses Significant Problems*, GAO/AFMD-91-13, August 22, 1991). In fiscal year 1988, the Library operated 12 revolving funds to finance a number of activities, with revenue ranging from \$940 to almost \$3.7 million per fund. Gifts which donors designated to be used for self-sustaining activities, created these funds. These revolving funds are now many times larger than their original size. The independent accountants' report on both the 1995 and 1996 financial statements noted that the condition continued to exist.

We also noted the existence of this condition during our fiscal year 1997 audit work. We identified 11 revolving funds, none with specific congressional authorization and ten with fund balances in excess of the original gift. One fund had revenues of \$5.8 million.

The Library is granted statutory authority under 2 U.S.C. 160 to "accept gifts or bequests of money for immediate disbursement in the interest of the Library, its collections, or its services." However, the GAO report concluded that the authority granted under 2 U.S.C. section 160 does not give the Library specific statutory authority, to set charges for goods or services provided through self-sustaining gift funds, that (1) enlarge the funds beyond the scope of the donor's gift, (2) produce revenues for other activities, or (3) create a substantial surplus.

Since issuance of the GAO reports, the Library has sought, but not received, specific statutory authority to operate these gift revolving funds. As a result, the Library continues to operate the funds beyond the scope of its authority.

***Recommendation:***

We recommend that the Library continue to seek specific statutory authority to operate gift revolving funds, in order to comply with 2 U.S.C. 160.

**APPENDIX C**  
**STATUS OF PRIOR YEAR FINDINGS**

**COMPUTER SECURITY**  
**SECURITY PRACTICES OVER INFORMATION TECHNOLOGY SYSTEMS ARE INADEQUATE.**

Recommendations made in 1996	Actions Completed / Further Action Needed
1. The Library implement Data Center Access Controls that restrict Data Center Access to Authorized Staff. Visitor logs should be used to document all other authorized access, including time and purpose of the visit.	Action Completed: The Library has implemented Data Center Access controls that restrict Data Center access to authorized staff. Visitor logs are now used to document all other authorized access, including time and purpose of visit.  No further action needed:
2. The Library implement an end-user security awareness program, which should include annual user affirmation of their responsibilities relative to data security and ongoing data security education. The Library should develop, document, and implement data security policies, procedures and standards for each processing platform(i.e., mainframe, minicomputer, minicomputer, local area network, and data communications).	Action Completed: The Library has implemented a number of individual security plans within ITS and CRS.  Further Action Needed: Further refinement is needed. See current year Appendix A comments.
3. The Library implement policies and procedures to properly restrict access to production data. This should include procedures to ensure that any changes made to production data have been authorized by management.	Actions Completed: The number of users with this access has been reduced.  Further Action Needed: Further refinement is needed. See current year Appendix A comments.
4. The Library develop, document, and implement policies and procedures for the use of ACF 2 privileges to ensure that privilege use is warranted, monitored, and reviewed by appropriate management.	Actions Completed: The number of users with this access has been reduced.  Further Action Needed: Further refinement is needed. See current year Appendix A comments.

<p>5. The Library develop, document, and implement comprehensive policies and procedures requiring Human Resources to inform Data Security personnel of all terminated employees of their termination before their termination date. We also recommend that information concerning vendors and internally relocated employees be forwarded to Data Security personnel before termination or relocation date.</p>	<p>Action Completed: The Library has instituted a new procedure that requires that the Computer Security Officer sign off on the separation clearance form assuring that the automated systems access accounts have been closed.</p> <p>No further action needed</p>
<p>6. ITS establish policies and procedures to prepare and distribute by office, current access configurations for Library employees. These reports should be issued on a routine basis and should include, at a minimum, a user's identification, his or her access to all systems, applications, transactions, etc., and the type of access assigned ( e.g. read, write, execute ). These reports should be reviewed and signed by appropriate management and returned to ITS Data Security personnel.</p>	<p>Action Completed: Current policies and procedures exist that allows the Data Security Office to review changes made to access privileges with management approval.</p> <p>No further action needed</p>

**FINANCIAL  
WEAKNESSES IN CONTROLS OVER THE FINANCIAL REPORTING PROCESS.**

Recommendations made in 1996	Actions Completed / Further Action Needed
<p>1. Remain diligent on requiring reconciliations of major accounts and subsystems to the general ledger according to the schedule outlined in FSD 96-8, <i>Guidelines for Financial Systems Reconciliations</i>. We recommend Financial Services assign follow-up of these reconciliations to qualified personnel within the department. Financial Services is also working with the FEDLINK financial director to design an enhanced report to aid them in their reconciliation process. Regular and timely review of the reconciliation and immediate attention to program office problems are key to ensuring that the general ledger detail is accurate and complete throughout the year. This must be a regular and ongoing process to be effective. We further recommend Financial Services and Contracts &amp; Logistics (C&amp;L) resume their reconciliation procedures of property and equipment acquisitions. We noted this area as the weakest in sufficiently complying with FSD 96-8, even subsequent to year end.</p>	<p>Action Completed: FSD has assigned employees to assist the program systems with their reconciliations with continuous follow-up with the service units.</p> <p>Further Action Needed: Further refinement is needed. See current year Appendix A comments.</p>

<p>2. Continue to provide financial managers with Limited Control Review training that is tailored to their specific needs and provides a more "how to" approach rather than a theoretical one. For example, the financial managers could be surveyed to determine what benefits they obtained from the classes and what they felt may be lacking. Grouping attendees by the type of transactions they process (i.e., deposits or receipts, procurement, payroll, and property and equipment ) would allow the classes to be more tailored to the audience and attendees would then receive information most relevant to their duties.</p>	<p>Action Completed: FSD has revised the Limited Control Review methodology to be more of a "how-to" approach.</p> <p>Further Action Needed: Further refinement is needed. See current year Appendix A comments.</p>
<p>3. Tailor the Limited Review internal questionnaires to the specific transactions or areas processed by the managers, excluding those areas that are irrelevant. We noted several instances where managers answered questions because they were asked, even though the areas were not their responsibility.</p>	<p>Action Completed: The Limited Control Reviews/Questionnaires were revised in FY 1997.</p> <p>No further action needed</p>
<p>4. Coordinate with the IG's office as to the timing and extent of their planned audits of selected Limited Control Reviews in 1997. The IG's work plan will not cover a substantial number of program subsystems, Financial Services must make plans to review them so management can assert that reviews are properly completed and controls are effective.</p>	<p>Action Completed: The Library did not perform limited control reviews in FY 1997.</p> <p>Further Action Needed: Further refinement is needed. See current year Appendix A comments.</p>
<p>5. Revise the timing for conducting some of the Limited Control Reviews. Assigning different reviews every quarter of the fiscal year will provide assurance that controls are functioning during the year and not just at year-end, and will allow Financial Services and the IG's office to schedule their evaluations more evenly over the year to ensure timely follow-up of the review process.</p>	<p>Action Completed: No revised Limited Control Reviews were conducted in FY 1997. However, a detailed schedule staggering the reviews was implemented for the FY 98 reviews.</p> <p>Further Action Needed: Further refinement is needed. See current year Appendix A comments.</p>
<p>6. Delay implementing the planned activity-based costing project until full staffing of key positions is achieved.</p>	<p>Action Taken: The Library has filled the position of Budget Officer, Operations Officer, and the Systems Accountant.</p> <p>Further Action Needed: The Library needs to fill the key position of Reports and Controls Officer.</p>

**LIBRARY RECORDS FOR CAPITALIZED NON-BULK PROPERTY AND EQUIPMENT ARE NOT ACCURATE AND COMPLETE**

<b>Recommendations made in 1996</b>	<b>Actions Completed / Further Action Needed</b>
<p>1. C&amp;L strengthen its procedures for reviewing information entered into the IBCFACS database. C&amp;L must establish integrity of the data currently recorded in its property and equipment database by reviewing all input for errors and making the necessary corrections.</p>	<p>Action Completed: C&amp;L has reviewed IBCFACS database for errors and made corrections. While C&amp;L has taken this step they still rely on service units to assist in proper asset valuation.</p> <p>Further Action Needed: C&amp;L still needs to strengthen its procedures for reviewing information entered into the IBCFACS database. See current year Appendix A comments.</p>
<p>2. C&amp;L assign an employee who does not have data entry responsibility to review the subsidiary system detail on a regular basis to avoid future errors, which can be minimized if the resource documents from which entries are made are clear and accurate. For example, procurement often uses acronyms and names that are specific to one vendor instead of generic terms that clearly describe the asset being purchased.</p>	<p>Action Completed: C&amp;L has procedures in place to review data entry.</p> <p>Further Action Needed: C&amp;L still need to strengthen its review procedures because errors can still be found. See current year Appendix A comments.</p>
<p>3. C&amp;L provide frequent communication to other service units, reminding them of their responsibility to report any acquisitions that come directly to their unit. FSD 96-7 states that services units must notify C&amp;L but is not specific as to how or when the other units should provide notification. Until compliance with FSD 96-7 becomes commonplace within the Library, we recommend C&amp;L send quarterly request to those offices that directly receive property acquisitions or information regarding donated assets, like the Congressional Research Service(CRS) and the Development Office, to report any acquisitions or donations received.</p>	<p>Action Completed: C&amp;L issued a memorandum to all Library service units and offices requesting for personnel to be assigned to act as "Property Liaisons" to enhance communication between their unit and C&amp;L.</p> <p>Further Action Needed: These procedures need to be strengthened because additional errors were found during our review of FY 1997. Additional training of Property Liaison staff would help decrease the errors. See current year Appendix A comments.</p>
<p>4. C&amp;L be given the responsibility to review and approve all procurement request transactions initiated by other service units, so knowledgeable staff can compare offers and make sound procurement decisions.</p>	<p>Action Completed: Contracting Officers have started to analyze purchase requests.</p> <p>No further action needed</p>



<p>5. The Library expand the scope of its next physical inventory of capitalized assets and visit all areas of the Library that may potentially house fixed assets to ensure completeness of existing property records. The unrecorded donated assets we identified during our audit were not discovered by C&amp;L during the year-end physical inventory because only areas recorded as having existing capitalized assets were visited, and donated assets were not located in any of those areas.</p>	<p>Action Complete: A comprehensive physical inventory was taken during FY 1997.</p> <p>No further action needed.</p>
<p>6. The Library reevaluate its useful life policies for capitalized property and equipment and determine whether the current lives are reasonable. Any change in policy should be documented and applied consistently to all new and existing assets in that category. Because this is only the second year the Library has prepared financial statements, we recommend the Library correct all existing assets and revised its policies retroactively for consistency.</p>	<p>Action Completed: A study of useful lives for certain classes of property was conducted in June. No action was taken to adjust FY 1997 figures.</p> <p>Further Action Needed: The Library needs to implement a new useful life policy. See current year Appendix A comments.</p>
<p>7. The Library gain an understanding of the proper accounting treatment for capital leases. Personnel involved in capital lease valuation and recording should understand how to determine the net present value of the future lease payments for comparison to the assets fair market value when recording cost and how to properly amortize interest expense and reduce the associated lease liability annually. Personnel should refer to Title 2 or SFFAS No. 5, <i>Accounting for Liabilities of the Federal Government</i>, for guidance.</p>	<p>Action Completed: C&amp;L has adopted the use of "T-Value" software which helps determine actual costs &amp; interest expense for leases.</p> <p>Further Action Needed: The Library still needs to determine how "lease vs. buy" decisions are to be utilized on capital leases.</p>
<p>8. The Library consider using the current general ledger depreciation module for valuing and recording depreciation on assets that require capitalization or obtaining another package that will provide an interface with the general ledger and will calculate current period depreciation reports. The IBCFACS system is a bar code system meant to control the safeguarding of the assets and was not designed as a depreciation package. Although the general ledger's depreciation package provides no property location control as the IBCFACS system does, the general ledger system would capture all expenditures for property and equipment over the capitalization threshold without requiring a manual entry and would provide accurate depreciation information that would be recorded directly into the general ledger. The</p>	<p>Action Completed: No action has taken place during FY 1997.</p> <p>Further Action Needed: FSD needs to implement a package that will calculate and track depreciation. See current year Appendix A comments.</p>

IBCFACS system could still function as a property control system for all assets over the safeguard threshold, which is currently \$300.

**SAFEGUARD CONTROLS FOR PROPERTY AND EQUIPMENT ARE NOT ADEQUATE**

Recommendations made in 1996	Actions Completed / Further Action Needed
<p>1. FSD 96-7, <i>Guidelines for Accounting for Capitalized Property and Depreciation</i>, was not completed until the last quarter of fiscal year 1996 and was not officially effective until September 30, 1996. This directive reiterates the need for those Library service units receiving either purchased or donated property to report that information in a timely manner to C&amp;L. Until this practice is routine, communication remains a major weakness in the Library's ability to safeguard its property and equipment. To help strengthen the communication process, we recommend appointing a staff person at the directorate level to be held accountable for instituting Section 3.3.1 of FSD 96-7 so that all acquisition, dispositions, and transfers of property are managed at the local level. This person would be responsible for:</p> <ul style="list-style-type: none"> <li>• Communicating with C&amp;L (on a monthly, bimonthly, or quarterly basis, as deemed appropriate) any movement of property or equipment</li> <li>• Maintaining a copy of the equipment tracking detail (IBCFACS printout) of items in their area and noting any changes to it</li> <li>• ensuring that every item qualifying for control is property bar coded; any item without a bar code should be reported to C&amp;L at the time of discovery.</li> </ul>	<p>Action Completed: C&amp;L issued a memorandum to all Library service units and offices requesting for personnel to be assigned to act as "Property Liaisons" to enhance communication between their unit and C&amp;L.</p> <p>Further Action Needed: These procedures need to be strengthened because additional errors were found during our review of FY 1997. Additional training of Property Liaison staff would help decrease the errors. See current year Appendix A comments.</p>
<p>2. We recommend raising the threshold for bar coding and tracking assets from \$300 to \$500 or \$1,000 per individual item to further ease the burden of tracking low dollar value property and equipment items. Other government agencies use these thresholds and we believe labor hours could be better used in strengthening existing control weaknesses instead of tracking items with a low dollar value.</p>	<p>Action Completed: Effective June 1, 1997, the Library has increased the threshold for bar coding and the tracking of assets from \$300 to \$500.</p> <p>No further action needed.</p>

<b>Recommendations for National Library Service for The Blind and Physically Handicapped</b>	
<p>1. We recommend that NLS consider merging the report performed by the two different playback machine tracking systems (BPHICS and MMR) and begin to capture all data within the BPHICS system. NLS would need to ensure that BPHICS and the MMR contain data for the same time period, since the MMR database has more historical information than BPHICS. The BPHICS system would need to be modified to capture the collective status of machine-lending agency (MLA) of all machines in the custody machine-lending agencies, as well as acquisition information by serial number, which is its current function. The result should generate an output report of the collective status of machines by machine type. This would improve the accuracy of reporting from the lending agencies.</p>	<p>Action Completed: No action has been taken for FY 1997.</p> <p>Further Action Needed: NLS should implement a playback tacking system that encompasses both of the current systems used. See current year Appendix A comments.</p>
<p>2. We also recommend establishing an acceptable range of "lost machines" for each lending agency, based on historical figures of patrons they serve and the current age and number of machines in their custody.</p> <p>In addition, we recommend requiring the independent contractor to compare totals for each machine model reported by each lending agency. No system updates would be accepted from lending-agency reports if the reported figures fall outside the established acceptable range. When the independent contractor receives monthly reports from the lending agencies, it should compare the total s for each machine category with the acceptable ranges. If the reported figures fall outside the ranges, the machine-lending agencies should be required to perform a self audit to investigate the discrepancies.</p>	<p>Action Completed: No action has been taken for FY 1997.</p> <p>Further Action Needed: The Library should establish an acceptable range of "location unknown" playback machines. See current year Appendix A comments.</p>
<p>3. Finally, we recommend NLS review and monitor both the input from the lending agencies and the output from the independent contractor on a regular basis, and document a plan for visiting lending agencies to perform regular equipment audits.</p>	<p>Action Completed: No action has been taken for FY 1997.</p> <p>Further Action Needed: The Library should implement policies and procedures to insure that the work performed by the independent contractors is correct and accurate. See current year Appendix A comments.</p>

**WEAKNESSES EXIST IN THE FINANCIAL REPORTING SYSTEM APPLICATIONS CONTROLS**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
The Library's financial reporting system override report, which is distributed by the Library's financial reporting System Administrator, is not adequately reviewed by end-user management. We recommend that the Library distribute the override security report on a routine basis and implement policies and procedures requiring end-user management to review and monitor override transactions.	<p>Action Completed: The procedures for override security report were changed in February to require documentation that supports review of the override transactions.</p> <p>No further action needed.</p>

**THE LIBRARY LACKS A BUSINESS CONTINUITY PLAN**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
We recommend that the Library develop a business continuity plan that includes current disaster recovery plans for mission critical information technology resources. The plan should be developed based on a business impact analysis and should identify information technology systems that are critical for the support of mission critical areas. After the impact analysis has been completed, a business continuity plan should be developed for those areas deemed mission critical to the Library. We also recommend that the Library evaluate the feasibility of contracting for an alternate data center processing hot site.	<p>Action Completed: No action has been taken for FY 1997.</p> <p>Further Action Needed: The Library should prepare and implement a comprehensive business continuity plan. See current year Appendix A comments.</p>

**YEAR 2000 COMPLIANT SOFTWARE FOR FINANCIAL SYSTEMS HAVE NOT BEEN IMPLEMENTED**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
1. We recommend that the Library evaluate each of its financial systems and subsystems and allocate the resources necessary to update the software to Year 2000 compliant versions as soon as possible.	<p>Action Completed: The Library has begun to review the impact of Y2K.</p> <p>Further Action Needed: Further refinement is necessary. See current year Appendix A comments.</p>

**THE LIBRARY'S INSPECTOR GENERAL OVERSIGHT FUNCTION IS LIMITED**

Recommendations made in 1996	Actions Completed/Further Actions Needed.
<p>1. The Librarian of Congress should consider actions to follow-up and resubmit draft legislation to establish statutory authority for the Office of Inspector General (IG) at the Library of Congress. These actions should be taken in coordination with the testimony given by the Library of Congress at the Senate Committee on Rules and Administration in March 1997, reaffirming the Library's commitment to seek statutory authority for the IG. Title I of the proposed legislation granting statutory authority to the Library's IG would enhance the authority, status, and independence of the IG to detect and prevent waste, fraud, and abuse in the Library's administration and operations and would eliminate any perception that the Library's IG is not fully empowered to act independently.</p>	<p>Action Completed. Draft legislation was submitted to Congress.</p> <p>Further Action Needed: Further refinement and follow-up is necessary. See current year Appendix A comments.</p>

**THE LIBRARY OPERATES GIFT REVOLVING FUNDS BEYOND THE SCOPE OF ITS AUTHORITY**

Recommendations made in 1996	Actions Completed/Further Actions Needed.
<p>1. In order to comply with 2 U.S.C. 160, we recommend that the Library continue to seek specific statutory authority to operate gift revolving funds.</p>	<p>Action Completed: No action has been taken for FY 1997.</p> <p>Further Action Needed: The Library needs to seek statutory authority to operate gift revolving funds. See current year Appendix B comments.</p>

**THE LIBRARY RETAINS CERTAIN MONEY FROM ITS COOPERATIVE ACQUISITIONS PROGRAM  
IN VIOLATION OF 31 U.S.C. SECTION 3302(B)**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
To comply with the General Accounting Office's decision on this matter, and in the absence of specific legislation authorizing the avoidance of applying 31 U.S.C. 330(b), we recommend that the Library:	
1. Cease retaining money received from participants in the Cooperative Acquisitions Program to pay indirect costs or future contingencies.	Action Completed: Indirect money costs are not being used. The Library has received specific legislation in the Legislative Appropriations Act of 1998, authorizing the moneys in the revolving fund to be available without fiscal year limitations.  No further action required.
2. Remit money to the U.S. Treasury that would have been used to pay indirect costs or future contingencies that is included in the balance of \$2.3 million at September 30, 1996; the Library should remit these fees as the liability is reduced.	Action Completed: No action has been taken for FY 1997.  No further action required.

**NO COMPREHENSIVE COLLECTION SECURITY PLAN OR FORMAL RISK ASSESSMENT**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
1. We recommend the Library begin developing a strategy for conducting the complete risk assessment. The strategy should address short and long term objectives or milestones, projected budget and personnel costs necessary to achieve each milestone, and time frames under which each milestone is expected to be accomplished.	Action Completed: Library Services developed and submitted to the Executive Committee for approval a strategy for short term and long term implementation for the multi-year risk assessment.  Further Action Needed. Additional refinement is necessary. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.

	Safeguarding Collection Assets.
<p>2. We recommend the Library Service Directorate organize and manage the formation and implementation of the Library-wide risk assessment. The managing committee should include representatives from Copyright, the Law Library, and Integrated Support Services as well as those units within the Library Service Directorate who will play a significant role in the risks shared by other units, such as Cataloging and Preservation. We recommend the Senior Executive Committee act as an oversight body for the Library wide risk assessment.</p>	<p>Action Completed: Library Services developed and submitted to the Executive Committee for approval a strategy for short term and long term implementation for the multi-year risk assessment.</p> <p>Further Action Needed: Additional refinement is necessary. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>
<p>3. The risk assessment should:</p> <ul style="list-style-type: none"> <li>• Prioritize control measures by identifying those risks that would cause the greatest loss to the largest number or the most invaluable assets of the Library. The assessment should consider the likelihood of the occurrence and the cost versus benefit or reducing or eliminating those risks with effective control measures.</li> <li>• Address all service and custodial units separately, since each unit is unique and each has varying degree of risks related to the four categories of control criteria.</li> <li>• Segregate risks by collection asset format and by location.</li> <li>• Seek to rank and categorize risks as described above and document the priority of controls needed based on the level of risk.</li> <li>• Establish common reporting standardized procedures for communicating control effectiveness to management on a regular basis.</li> <li>• Have physical security controls that correspond with Integrated Support Service's physical security plan currently under development.</li> <li>• Consider the role of the AOC and what limitations the Library may have with regard to physical security in areas where AOC has responsibility.</li> </ul>	<p>Action Completed: Library Services developed and submitted to the Executive Committee for approval a strategy for short term and long term implementation for the multi-year risk assessment.</p> <p>Further Action Needed: Additional refinement is necessary. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>
<p>4. In developing the risk assessment overall and by service unit, the Library should:</p> <ul style="list-style-type: none"> <li>• Leverage existing information gathered from internal assessments and reviews and those of outside contractors.</li> </ul>	<p>Action Completed: Library Services developed and submitted to the Executive Committee for approval a strategy for short term and long term implementation for the multi-year risk assessment.</p>

<ul style="list-style-type: none"> <li>• Utilize the knowledge of the Inspector General's office in identifying known security weaknesses.</li> <li>• consider the Preservation Directorate's current plans as well as the Strategic Facilities Plan developed by Facility Services.</li> <li>• Review needs identified by the Catalog and Support Office during their recent development of a Request for Proposal for an Integrated Library System.</li> </ul>	<p>Further Action Needed: Additional refinement is necessary. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>
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### **WEAK CONTROL ENVIRONMENT AND INCOMPLETE CONTROL ACTIVITIES**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
<p>1. <b>Consistent Security Measures</b> - We recommend integration of the Library's overall physical security plan, currently under draft, with the Library's planned risk assessment. Weaknesses uncovered by the collection division as a result of their risk assessments should be brought to the Security Director for consideration and resolution. Until both the security plan and risk assessment can be fully completed, the extent of weaknesses in physical security controls will not be fully known.</p>	<p>Actions Completed: The Library has made strides to continue to improve the security of collections in all four life cycles( storage, processing, transit and use) The Library developed a Library Security Plan. Security at points of entry for materials are being addressed(i.e. the Copyright Office is being provided with book theft protection devices and a pilot program is under way to improve the security for compact discs( CD ) without damaging the CD. Staff awareness continues to improve through the inclusion of security in the position descriptions and performance plans.</p> <p>Further Action Needed: Improvements are still needed in the overall physical security of all assets. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>
<p>2. <b>Tracking Collection Items</b> - We recommend transfer documentation be implemented as part of the Library's policies and procedures that will be adopted as a result of the risk assessment of the Library's collections. Transfer documents should be signed by both the receiving party and the</p>	<p>Actions Completed: No action has been taken in FY 1997.</p> <p>Further Action Needed: The Library needs to implement</p>



<p>party accepting the transfer or delivery.</p>	<p>policies and procedures to better secure the transfer of documentation. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>
<p>3. <b>Item Level Security</b> - We recommend that policies be formulated documenting what item level security will be implemented for different categories of assets.</p>	<p>Action Completed: The Library has made strides to continue to improve the security of collections in all four life cycles(storage, processing, transit and use) The Library developed a Library Security Plan. Security at points of entry for materials are being addressed(i.e. the Copyright Office is being provided with book theft protection devices and a pilot program is under way to improve the security for compact discs (CD) without damaging the CD. Staff awareness continues to improve through the inclusion of security in the position descriptions and performance plans.</p> <p>Further Action Needed: Additional polices need to be documented on the level of security related to the different categories of assets. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>
<p>4. <b>Bibliographic and Inventory Control</b> - We support the need for the Library to acquire an Integrated Library System (ILS) which will integrate many systems, provide more current and accessible bibliographic and inventory information, and provide the Library with available technology to keep pace with current and future demands.</p>	<p>Action completed: The Library issued a 296-page Request for Proposal on July 7, 1997 to acquire an Integrated Library System.</p> <p>Further Action Needed: The Library needs to follow-up on this RFP and sign a contract to provide this system.</p>
<p>5. <b>Preservation Control</b> - We recommend the facility requirements be considered in the overall collections risk assessment when considering preservation risk. Each division should include in their assessment any effects the acquisition of new facilities will have on their short term and longer term preservations risks.</p>	<p>Action Completed: This risk was considered when risk assessment was done.</p> <p>Further Action Needed: This risk needs to be considered as future risk assessments are completed.</p>

<p>6. We recommend that the Library consider the use of surrogates in its risk assessment and compare the cost and benefits of this deterrent against others on a division by division and format by format basis.</p>	<p>Action Completed: The use of surrogates was considered when risk assessment was done.</p> <p>Further Action Needed: This risk needs to be considered as future risk assessments are completed.</p>
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**LACK OF EFFECTIVE MANAGEMENT INFORMATION AND MONITORING**

<b>Recommendations made in 1996</b>	<b>Actions Completed/Further Actions Needed.</b>
<p>1. We recommend integration of the performance plan process with the Library's collections risk assessment. Once the major controls over safeguarding of collection assets have been identified from the risk assessment, each division should develop measurable tasks that personnel should be performing to assure those controls are functioning. Division management should be held accountable for monitoring personnel assigned to these tasks. Reporting these results should be integrated into the Library's annual performance plans in order that management receives the information needed to assess the effectiveness of the internal controls over the collection assets.</p>	<p>Action Completed: No action has taken place during 1997.</p> <p>Further Action Needed: The Library should integrate the performance plan process with the collections risk assessment. Once major controls have been identified, each division should develop measurable tasks to be performed to assure those controls are functioning. See our report on Management's Assertion About the Effectiveness of Internal Controls over Safeguarding Collection Assets.</p>

## **Report of Independent Auditors on Management's Assertion About the Effectiveness of Internal Controls Over Safeguarding Collection Assets**

The Inspector General, Library of Congress:

We have examined management's assertion, which is presented in Section 5, that it cannot provide reasonable assurance that the Library of Congress' internal control structure over safeguarding of collection assets against unauthorized acquisition, use, or disposition was generally effective as of September 30, 1997.

Our examination was made in accordance with *Government Auditing Standards*, issued by the Comptroller of the United States, and with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control structure over safeguarding of collection assets, testing, and evaluating the design and operating effectiveness of the internal control structure, and such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

Because of inherent limitations in internal controls, unauthorized acquisition, use, or disposition of collection assets may occur and not be detected. Also, projections of any evaluation of internal controls over safeguarding of collection assets to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In its assertion letter, the Library of Congress has defined the following control criteria for safeguarding collection assets against unauthorized acquisition, use, or disposition:

- Bibliographic controls, which include but are not limited to: cataloguing, archival processing, and arrearage reduction.
- Inventory controls, which include but are not limited to: the automated circulation control system; manual shelf lists; finding aids and other detailed descriptions; and registry of items lent for exhibition.
- Preservation controls, which include but are not limited to: use of surrogates (digital, microform, service copies of audiovisual materials); collections care programs; disaster preparedness; Top Treasures security; de-acidification; conservation of individual items; preservation treatment of processed items; preservation research and testing program to define actions for de-acidification storage, audio presentation, and studies of longevity of new digital media, etc. and Congressionally-mandated preservation programs such as the National Film Preservation Board and American Television and Radio Archive.

- Physical security controls, which include but are not limited to: perimeter security (e.g., theft detection devices); secured receiving and holding areas for materials not yet accessioned into the research collections, including the Copyright Office; storage areas closed to the public and all staff except those who require daily access in order to perform their jobs; reader registration; security in reading rooms (cameras, police patrols, etc.); caging high risk collections; and secured loan stations.

The Library asserts that specific controls over items in the collection assets depend upon the item's format, demand for and condition of use, and the value and risk assessment for that item.

The *Integrated Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission would classify the aforementioned Library criteria as "control activities." The Integrated Framework also includes the following elements of internal control reporting.

- Risk assessment and collection security plan - The Library must assess the risk of unauthorized acquisition, use or disposition of the collection.
- Control environment - The Library must influence the control consciousness of its personnel by instituting an environment that makes internal control a priority.
- Information and communication - The Library must determine what information is needed by management to prevent or timely detect control failures, and make that information readily available to management at all times.
- Monitoring - The Library must establish policies and procedures for monitoring compliance with internal controls by personnel assigned those tasks.

Adapting these elements to the *Internal Control-Integrated Framework's* definition of internal controls over safeguarding assets to fit the Library's circumstances can be summarized as follows:

*Internal control over the safeguarding of collections against unauthorized acquisition, use or disposition is a process, effected by the Library's management and other personnel, designed to provide reasonable assurance that the risk of unanticipated loss (theft, mutilation, destruction, or misplacement) of collection items of significant market value, cultural or historical importance, or significant information value is reduced to an acceptable level.*

Applying this definition using the Library's control criteria, a weakness in safeguarding controls is significant enough that it should be included in the Library's assertion if it results in either:

- significant risk of unanticipated loss (theft, mutilation, destruction, or misplacement) of collection items of significant market value, cultural or historical importance, or significant information value or

- significant risk that senior Library management does not have sufficient information about the extent to which the Library's objectives concerning the safeguarding of the collections are being achieved.

### **Opinion on Management's Assertion**

The Library is in the early design stages of establishing a comprehensive risk assessment and collection security plan to identify the risks to the collection, the planned or established controls that must be in place to mitigate the risks, the policies and procedures required to enforce the controls and the information management needs to monitor the effectiveness of the controls. Until these tasks are completed, Library management will not have reasonable assurance that the risk of unanticipated loss (theft, mutilation, destruction, or misplacement) of collection items of significant market value, cultural or historical importance, or information content is reduced to an acceptable level.

In its assertion, management describes significant weaknesses in preservation controls, inventory controls, bibliographic controls and physical security controls over collection assets as of September 30, 1997. Our recommendations for these and other significant weaknesses identified by us during our audit are outlined in the following section, *Internal Control Weaknesses in Safeguarding of Collection Assets and Recommendations for Improvement*. Our current year recommendations and assessment of the Library's initiatives are intended to build on the findings and recommendations made in fiscal year 1996.

In our opinion, management's assertion that, as a result of the weaknesses in controls described in its report, it cannot provide reasonable assurance that the internal control structure over safeguarding collection assets against unauthorized acquisition, use, or disposition, was generally effective as of September 30, 1997, is fairly stated based upon the criteria described above.

*Clifton Gunderson L.L.C.*

March 27, 1998  
Greenbelt, Maryland

## **INTERNAL CONTROL WEAKNESSES IN SAFEGUARDING OF COLLECTION ASSETS AND RECOMMENDATIONS FOR IMPROVEMENT**

### **1. THE LIBRARY LACKS A COMPREHENSIVE COLLECTION SECURITY PLAN OR FORMAL RISK ASSESSMENT FOR THE SAFEGUARDING OF COLLECTION ASSETS**

The Library's security plan has not yet been fully developed and a comprehensive risk assessment has not been performed to identify the significant risks to the collections, the proposed or established control activities to mitigate the risks, the policies and procedures necessary to implement the necessary controls, the required management information needed to carry out its responsibilities, and the methods by which management will monitor the effectiveness of the established control procedures.

Since the security plan must be used in conjunction with the parallel risk assessments which purpose is to identify risk mitigating opportunities within the Library's bibliographic, inventory and preservation control environments, the Library will be unable to fully implement its comprehensive collections security plan and the Library will not be able to address the vulnerabilities associated with the safeguarding of the collections, until the comprehensive risk assessment is completed.

The Library has taken a number of recent initiatives to address prior findings related to collections security that will provide it the basis for implementing its security plan and for conducting a formal library-wide risk assessment. Among these are:

- In February 1997 the Library appointed a Director of Security and established the Office of Security Directorate to centralize the authority and responsibility of the Library's Security structure;
- Established the Collections Security Oversight Committee (CSOC) which is comprised of senior librarians and managers representing the Library's diverse curatorial and processing divisions;
- The Rare Book and Special Collections Division commenced an inventory of its holdings, beginning with the initial core of the Library's original collection, The Thomas Jefferson Collection;
- A threat profile was developed that identifies three levels of sophistication to the threat of theft and mutilation to the collections;
- A comprehensive planning framework for the Library's Security plan was developed that prioritized the Collections along a five-tiered risk continuum. The prioritization matrix depicts five differentiated levels of risk offering reasonable assurance that security controls will be successful in deterring threats. Generic minimal security standards for the five tiers of

collections are captured in a grid integrated across the collections' four life cycles;

- The Library conducted a validation of the prioritization matrix in which 9 divisions and the Law Library participated. This initial validation highlighted unmet security requirements across the collections' four life cycles. In addition, two formal risk assessments were conducted that documented the detailed processes affecting the controls within the Geography and Map Division and the Copyright Office;
- The Library issued a draft security plan that focuses on the physical security and procedural standards and requirements for protecting the collections. The plan encompasses protection of the Library's facilities, personnel, and other assets, and key elements include building security improvements, establishing a comprehensive security training and awareness program and establishing a process to evaluate the security program.

The Library's security plan calls for three sets of actions that must occur prior to full implementation as follows:

- 1) Perform a library-wide risk assessment to identify risk mitigating opportunities within the bibliographic, inventory, and preservation control environments.
- 2) Conduct the surveys called for in the collections prioritization matrix grids.
- 3) Implement a Library-wide communications and awareness program on issues related to security awareness.

The combination of the physical security minimal standard established in the security plan with the mitigating opportunities identified as a result of the risk assessments will provide the Library with the capability of assessing the effectiveness of the control measure across the complete spectrum of collections security concerns. When the surveys are completed the Library will be able to complete its scheme of minimal standards with respect to such issues as the feasibility of marking selected Treasures, analysis of loading dock operations, presence of security guards in specific reading rooms and coverage of silver, bronze and copper collections while in process.

While the security plan calls for the integration of the risk assessment process, the planned actions do not adequately address when risk assessments will be performed or which locations will be included in the risk assessment. The Library planned to perform four risk assessments during fiscal year 1998, but as of March 1998, none of these assessments have been performed. Currently, only two risk assessments are planned; one of which is funded and funding for the second has yet to be made available. Management has not made performing the risk assessments a priority by deciding to use funds that were available for two of the risk assessments for other purposes. The Library's fiscal 1999 budget calls for the performance of eleven risk assessments.

#### ***Recommendations:***

We recommend the Library take action to fully develop its security plan and perform the Library-wide risk assessment. The Library's draft security plan focuses on the physical security and procedural standards and requirements for protecting the collections. Several areas addressed by the security plan remain undeveloped. We recommend the Library take the necessary actions to

develop and implement the programs that are essential to the full implementation of the security plan. Specifically, the Library should:

- Develop a comprehensive security training and awareness program for Library employees that should have one central point of contact to serve as its program manager;
- Establish a formal oversight program providing continuous evaluation of the various safeguards, systems and procedures intended to protect the Library collections, facilities and personnel. The Director of Security, in coordination with the Office of Inspector General should develop a proposal for establishing a formal security oversight and evaluation program;
- Determine who has ultimate authority over Library facility access control, automated access and intrusion detection systems. The Director of Security should assess current policies, regulations, and procedures relating to the administration and operations of the security program, including the revision of relevant documents and distribution of such; as well as the establishment of a schedule for periodic review of security regulations and operating procedures;
- Staff police operations adequately and adopt a standardized approach to training by providing for a full time police training officer. Additional equipment and the consolidation of the two communication centers currently used will enable the Library of Congress police to more effectively carry out its mission;
- Ensure that all baseline physical security standards are met. While major strides have been made in terms of physical security, not all baseline standards have been met, including perimeter security, entry security, interior security, and security planning.

We recommend the Library complete the surveys called for in the collections prioritization matrix grids, and perform a library-wide risk assessment to identify risk mitigating opportunities within the bibliographic, inventory, and preservation control environments. We also recommend that the risk assessments take into consideration the following items:

- The risk assessment should prioritize control measures by identifying those risks that would cause the greatest loss to the largest number or the most invaluable assets of the Library. The assessment should consider the likelihood of the occurrence of the identified risks and the cost versus benefit of reducing or eliminating those risks with effective control measures;
- The risk assessment should address all service and custodial units separately, since each unit is unique and each has varying degrees of risks related to the four categories of control criteria. The risk assessment should include: Integrated Support Services, since many collection assets enter the Library through the loading dock and move within the Library's hallways and tunnels; and the Law Library, which has processing and custodial responsibility for the Library's holdings on legal subjects;



- The risk assessment for each unit should segregate risks by collection asset format (monograph, video, audio cassette, compact disc, print, photograph, manuscript, map, globe, etc.) and by location (reading room, processing area, stacks);
- The risk assessment should seek to rank and categorize risks as described above and document the priority of controls needed based on the level of risk. Each service unit and custodial division should document their existing controls and compare them to the prioritized list of controls in the risk assessment. Once it has been determined which priority controls exist and which need to be established, policies and procedures to implement these controls should be developed on a service unit and custodial division basis with the responsibility for implementing and maintaining these controls assigned to the appropriate Library personnel in each unit or division;
- The risk assessment should establish common reporting procedures for communicating control effectiveness to management on a regular basis. The procedures should be standardized so that results by division or unit can be compared and compiled to provide useful information on a Library-wide basis;
- In developing the risk assessment overall and by service unit, the Library should leverage existing information gathered from internal assessments and reviews and those of outside contractors, such as the physical security assessment performed by the Library's Protective Services in November 1996, the contractor security review conducted from October 1995 through June 1996, and information gathered during the two risk assessments already performed in the Map and Geography Division and the Copyright Office. The Library should utilize the knowledge of the Inspector General's office in identifying known security weaknesses. Existing information regarding weaknesses in preservation should consider the Preservation Directorate's current plans as well as the Strategic Facilities Plan developed by Facility Services. To identify existing inventory and bibliographic control risks, the Library should review needs identified by the Catalog and Support Office during their recent development of a Request for Proposal for an Integrated Library System and during analysis of proposals submitted to date.

## **2. A WEAK CONTROL ENVIRONMENT AND INCOMPLETE CONTROL ACTIVITIES EXIST FOR THE SAFEGUARDING OF THE COLLECTION ASSETS**

The Library's control environment has not been conducive to effective security over the collections. Securing the collections has traditionally been less important than being able to serve them to the public. Weaknesses in controls over storage areas offer temptations to employees who have access to valuable items.

In its assertion, management describes a number of significant weaknesses in bibliographic controls, inventory controls, preservation controls, and physical security controls over collections assets as of September 30, 1997. Management also describes initiatives the Library has undertaken since September 30, 1996 to remedy some of these weaknesses.

The Library has implemented many physical security measures, including the installation of extensive high technology physical and electronic security measures, key and lock controls, installation of closed circuit surveillance and intrusion detection systems, and access control measures for area housing collections, installation of x-ray machines and metal detectors at key entrances and exits, and insertions of theft detection targets, and the expansion of security measures in reading rooms. Although the Library has made progress in physical security, it appears as though security awareness has not improved significantly. Many of the observations we made are the same as those reported in prior audit reports, particularly with respect to access controls within the work areas of the Capitol Hill facilities. Simple measures such as keeping doors shut in areas where materials are located and stored are not routinely followed. Our observations identified inconsistencies in levels of security in reading rooms, work areas where collections are processed, and among collection items in transit within the Library's Capitol Hill facility and in transit to the Landover facility. We noted a general lack of tracking procedures for collections that leave a service unit, division or facility within the Library bound for another Library location. We observed that some reading rooms are fully equipped with security guards, gates, security cameras, clear sight lines, and written policies for patrons desiring access to collection materials. Other reading rooms lacked security personnel, secure exits, written policies, or some other security measure that would discourage theft or mutilation of items while in use by patrons. We observed open doors to areas that stored material off limits to the public and access doors to stack areas that were unlocked. Library staff did not readily challenge unknown personnel. Many work areas where collections are in-process did not take minimum security measures. Our observations included the following:

- Observations of the Main reading room and stack areas noted that lockers were not used, doors to three alcoves storing materials off limits to the public were either left open or propped open and not monitored. The door to Deck 32 was unlocked allowing access to the secure stack area doors. Once inside the deck stairway all movements go undetected;
- Materials stored in the Serial Record Division's "secure" room were not recorded on any type of inventory, that would at minimum include the title, item description, quantity, or other information such as where the item came from or where it was going;

- Materials stored in the Anglo-American Acquisitions Division's mail room were parked in bins, stacked on shelves and along the walls. The doors to the mail room were propped open and accessible by any individual;
- Materials received by the Arts and Sciences Cataloging Division arrive without transfer documentation listing the items received, and some materials are not yet marked as Library property. This makes it difficult to track and provide accountability for the material as it is processed into the Library. Although access to the fifth floor where the Division is located is restricted, the entry and exit doors to the division were propped open during working hours making the material stored by the entry and exit ways more accessible to theft or misappropriation;
- Responsibilities for keys to secure rooms and vaults located in the Anglo-American Division and the Special Materials Cataloging Division are not assigned or monitored. Neither Division utilizes key logs or sign-in and sign-out logs to record materials entering and leaving the vault area;
- Vault areas were used to store materials other than rare and valuable materials;
- The Landover facility had no tracking procedures for materials bound for the Library's Capitol Hill buildings. There are no consistent accountability procedures to log in items leaving or returning to the facility. Collections from this facility are requested via telephone, fax or the Automated Book Paging System (ABPS). For those items requested via ABPS, copies of request slips are retained for a certain period of time. The Landover facility continues to allow Library employees to exit the building without proper searching for Library material;
- Rare collections assets stored at the Landover facility were not adequately protected. Broken and deteriorating storage containers were in continued use. We observed rare books stored in cardboard containers were exposed to severe conditions, and in some instances were falling out of the storage containers;
- Items that enter the Library through the Madison loading dock are sent to the appropriate division without tracking slips or some type of content description. It is unclear how the division or the Loading Dock could track a missing item when a record of what was originally received by the dock and delivered to the division is not maintained. Architect of the Capitol staff and police officers were allowed to exit the Madison Loading dock without inspection for Library materials.

The Library maintains two manual shelf lists, housing millions of cards where important bibliographic and inventory data is maintained. These systems are not currently integrated and require significant man hours to maintain. Implementation planning for the Library's Integrated Library System (ILS) began in 1997. The ILS will provide for integration of many separate Library functions into one system and will provide on-line inventory control for individual items but does not provide for the conversion of information contained in the Library's manual shelf

lists and serials visible file. Additionally, implementation of the ILS will have a significant impact on arrearage reductions, further impacting bibliographic controls.

***Recommendations:***

We recommend integration of the Library's overall physical security plan, with the Library's planned risk assessment. Weaknesses uncovered by the collection divisions as a result of their risk assessments should be brought to the Security Director for consideration and resolution. Until both the security plan and risk assessment can be fully completed, the extent of weaknesses in physical security controls will not be fully known.

We recommend transfer documentation be implemented as part of the Library's policies and procedures that will be adopted as a result of the risk assessment of the Library's collections. Proper transfer documentation ensures that materials transferred from one location to another within the Library are completely and accurately recorded. Transfer documents should be signed by both the transferring party and the party accepting the transfer or delivery. Both employees must verify the completeness and accuracy of the transfer. We recommend that policies be formulated documenting what item level security will be implemented for different categories of assets.

We support the need for the Library to acquire an Integrated Library System, which will integrate many systems, provide more current and accessible bibliographic and inventory information, and provide the Library with available technology to keep pace with current and future demands. We recommend the Library develop a plan for converting the manual shelf lists so that this information may be merged into the ILS.

We recommend that facility requirements be considered in the overall collections risk assessment when considering preservation risk. Each division should include in their assessment any effects the acquisition of new facilities will have on their short term and long term preservation risks.

**3. THE LIBRARY LACKS EFFECTIVE MANAGEMENT INFORMATION FOR MONITORING OF THE COLLECTION ASSETS' INTERNAL CONTROLS**

A lack of collection security objectives in annual performance plans of custodial chiefs results in a collections security weakness. Meaningful and regular management information about whether security goals are being established and met are essential to a strong control environment. The performance plans of security officials and custodial division chiefs, as well as those in other service units who are responsible for collections security, should include measurable objectives for assuring all collections controls are implemented and functioning. We noted that not all the performance plans we reviewed contained collections security as an objective. Until the risk assessments are performed it will not be known what tasks personnel should be performing or how performance will be measured.

***Recommendation:***

We recommend integration of the performance plan process with the Library's collections risk assessment. Once the major controls over safeguarding of collection assets have been identified from the risk assessment, each division should develop measurable tasks that personnel should be performing to assure those controls are functioning. Division management should be held accountable for monitoring personnel assigned to these tasks. Reporting these results should be integrated into the Library's annual performance plans in order that management receives the information needed to assess the effectiveness of the internal controls over the collection assets.